

CITY OF REINBECK

**Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

June 30, 2015

CITY OF REINBECK

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CITY OF REINBECK

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|-----------------|-----------------|---------------------|
| Tim Johnson | Mayor | Jan 2016 |
| Jamie Eiffler | Mayor Pro Tem | Jan 2016 |
| Brian Bunz | Council Member | Jan 2016 |
| Angie Schwartz | Council Member | Jan 2016 |
| Jordan Muller | Council Member | Jan 2018 |
| Mike Harrison | Council Member | Jan 2018 |
| Julie Wilkerson | Clerk/Treasurer | Indefinite |
| Abby Wessel | Attorney | Indefinite |

Reinbeck Telecommunication Utility Board

| | | |
|------------------|--------------|------------|
| Dan Smoldt | Chairman | Jan 2019 |
| Kristin Schiller | Board Member | Jan 2016 |
| Jared Baker | Board Member | Jan 2017 |
| Nick Suender | Board Member | Jan 2018 |
| Adrian Johnson | Board Member | Jan 2020 |
| Eric Lage | Director | Indefinite |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2014.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 3 to the financial statements, the City of Reinbeck adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reinbeck's basic financial statements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2014, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 10 and 26 through 33 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2015 on our consideration of the City of Reinbeck's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Reinbeck's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 25, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Reinbeck provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- The cash basis net position of the City's governmental activities increased 748%, or approximately \$664,000, from fiscal year 2014 to fiscal year 2015.
- The cash basis net position of the City's business type activities increased approximately \$61,900 or 42%, in fiscal year 2015 from fiscal year 2014.
- The City's total cash basis net position increased 308%, or approximately \$726,000, from June 30, 2014 to June 30, 2015.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental and nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, storm sewer system, fitness center, telecommunications system and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Tax Increment Financing and the 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains six Enterprise Funds to provide separate information for the Water, Sewer, Storm Sewer and Telecommunication Funds, considered to be major funds of the City, and the Fitness Center and Garbage Funds.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$88,713 to \$752,382. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities | | Year Ended June 30, 2015 |
|---|----|-----------------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for service | \$ | 92,708 |
| Operating grants, contributions and restricted interest | | 319,092 |
| Capital grants, contributions and restricted interest | | 470,769 |
| General Receipts: | | |
| Property tax | | 911,380 |
| Franchise tax | | 13,469 |
| Unrestricted interest on investments | | 809 |
| Loan proceeds | | 150,000 |
| Other general receipts | | 23,811 |
| Total receipts | | <u>1,982,038</u> |
| Disbursements: | | |
| Public safety | | 163,402 |
| Public works | | 203,527 |
| Health and social services | | 2,776 |
| Culture and recreation | | 344,189 |
| Community and economic development | | 33,543 |
| General government | | 131,956 |
| Debt service | | 371,261 |
| Capital projects | | 62,150 |
| Total disbursements | | <u>1,312,804</u> |
| Change in cash basis net position before transfers | | 669,234 |
| Transfers, net | | <u>(5,565)</u> |
| Change in cash basis net position | | 663,669 |
| Cash basis net position beginning of year | | <u>88,713</u> |
| Cash basis net position end of year | \$ | <u><u>752,382</u></u> |

The City's cash basis net position for governmental activities increased \$663,669, due primarily to an increase in property taxes and a decrease in expenses in all of the city's functions.

The cost of all governmental activities this year was approximately \$1,313,000. However, as shown on the Statement of Activities and Net Position on pages 11-12, the amount taxpayers ultimately financed for these activities was approximately \$430,000 because some of the cost was paid by those directly benefited from the programs (\$92,708) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$789,861). The City paid for the remaining "public benefit" portion of governmental activities (\$430,235) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and loan proceeds.

| Changes in Cash Basis Net Position of Business Type Activities | | Year Ended June 30, 2015 |
|--|----|-----------------------------|
| Receipts: | | |
| Program Receipts: | | |
| Charges for service: | | |
| Water | \$ | 203,158 |
| Sewer | | 434,012 |
| Storm sewer | | 25,305 |
| Telecommunications | | 759,852 |
| Fitness Center | | 7,509 |
| Garbage | | 75,117 |
| Total receipts | | <u>1,504,953</u> |
| Disbursements: | | |
| Water | | 222,370 |
| Sewer | | 389,392 |
| Storm Sewer | | 7,831 |
| Telecommunications | | 760,252 |
| Fitness center | | 3,342 |
| Garbage | | 65,428 |
| Total disbursements | | <u>1,448,615</u> |
| Change in cash basis net position before transfers | | 56,338 |
| Transfers, net | | <u>5,565</u> |
| Change in cash basis net position | | 61,903 |
| Cash basis net position beginning of year | | <u>146,542</u> |
| Cash basis net position end of year | \$ | <u><u>208,445</u></u> |

Total City's cash basis net position for business type activities increased \$61,903, due primarily to a decrease in capital improvements and repairs in the water and sewer funds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Reinbeck completed the year, its governmental funds reported a combined fund balance of \$752,382, an increase of \$663,669 from last year's total of \$88,713. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance remained virtually unchanged from the prior year.

- The Special Revenue, Road Use Tax Fund cash balance increased \$24,239 to \$21,682 during the fiscal year. The increase was primarily due to a decrease in the amount expended for street construction and maintenance.
- The Special Revenue, Tax Increment Financing cash balance increased \$143,365 to \$49,959 during the fiscal year. The decrease is due to fewer dollars being transferred out for debt payments.
- The Debt Service Fund cash balance increased \$12,356 in fiscal year 2015. This fund is used to pay off general obligation bonds and notes. In 2015, the City transferred funds from the Tax Increment Financing Fund to pay a portion of the debt.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$19,212 to \$91,147 during the fiscal year. The decrease was due primarily to a decrease in water usage.
- The Enterprise, Sewer Fund cash balance increased \$50,185 to \$20,738, primarily due to an increase in sewer rates that went into effect July 1, 2014 and fewer operating expenses.
- The Enterprise, Storm Sewer Fund cash balance increased \$17,474 to \$59,586 due primarily to no longer making a note payment on a city vehicle.
- The Enterprise, Telecommunication Fund cash balance remained virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on December 1, 2014 and resulted in an increase in operating disbursements of \$327,483. The amendment was made to provide for debt payments that were omitted from the original budget and additional expenses related to repair of the backhoe. The second amendment was approved on April 6, 2015 to provide additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2015 due to bond costs and repayment of an operating line of credit note that was not budgeted.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$3,327,000 in notes and other long-term debt, compared to \$3,719,692 last year, as shown below.

| Outstanding Debt at Year-End | | |
|---------------------------------------|--------------|-----------|
| | June 30, | |
| | 2015 | 2014 |
| Operating line of credit | \$ 75,000 | - |
| General obligation notes | 290,000 | 470,692 |
| Urban renewal tax increment financing | | |
| revenue bonds | 980,000 | 1,080,000 |
| Revenue notes | 1,982,000 | 2,169,000 |
| Total | \$ 3,327,000 | 3,719,692 |

Debt decreased as a result of required annual bond and note payments.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The city's outstanding general obligation and TIF debt of \$1,345,000 is below its constitutional debt limit of \$4,559,754. Additional information about the City's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Reinbeck's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates, and fees that will be charged for various City activities.

In fiscal year 2016, the City will be performing an engineering study to determine necessary street projects that will be scheduled for fiscal year 2017. A water/sewer rate study will also be conducted to determine the increases necessary to fund the new ultraviolet disinfection system for the sanitary system with an estimated cost of \$523,000 and to fund the sinking funds for bond and interest payments.

The City is looking at purchasing new equipment, including a city truck and a mini excavator.

The City's property tax base increased for fiscal year 2016 and property tax rates increased in the employee benefits and the insurance levies to help cover increasing costs of health insurance and city property and liability insurance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Wilkerson, City Clerk, at 414 Main Street, Reinbeck, Iowa 50669.

CITY OF REINBECK

Cash Basis Statement of Activities and Net Position As of and for the year ended June 30, 2015

| | Disbursements | Program Receipts | | |
|------------------------------------|---------------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 163,402 | 1,370 | 17,346 | 146,122 |
| Public works | 203,527 | 25,683 | 174,626 | 14,597 |
| Health and social services | 2,776 | - | - | - |
| Culture and recreation | 344,189 | 58,167 | 28,991 | 309,950 |
| Community and economic development | 33,543 | 910 | 98,129 | - |
| General government | 131,956 | 6,578 | - | - |
| Debt service | 371,261 | - | - | - |
| Capital projects | 62,150 | - | - | 100 |
| Total governmental activities | <u>1,312,804</u> | <u>92,708</u> | <u>319,092</u> | <u>470,769</u> |
| Business type activities: | | | | |
| Water | 222,370 | 203,158 | - | - |
| Sewer | 389,392 | 434,012 | - | - |
| Storm sewer | 7,831 | 25,305 | - | - |
| Telecommunications | 760,252 | 759,852 | - | - |
| Fitness center | 3,342 | 7,509 | - | - |
| Garbage | 65,428 | 75,117 | - | - |
| Total business type activities | <u>1,448,615</u> | <u>1,504,953</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 2,761,419</u> | <u>1,597,661</u> | <u>319,092</u> | <u>470,769</u> |

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Franchise tax
 Unrestricted interest on investments
 Loan proceeds
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:

Expendable:

Streets

Urban renewal purposes

Debt service

Other purposes

Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts
and Changes in Cash Basis Net Position

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|-----------|
| 1,436 | - | 1,436 |
| 11,379 | - | 11,379 |
| (2,776) | - | (2,776) |
| 52,919 | - | 52,919 |
| 65,496 | - | 65,496 |
| (125,378) | - | (125,378) |
| (371,261) | - | (371,261) |
| (62,050) | - | (62,050) |
| (430,235) | - | (430,235) |
| - | (19,212) | (19,212) |
| - | 44,620 | 44,620 |
| - | 17,474 | 17,474 |
| - | (400) | (400) |
| - | 4,167 | 4,167 |
| - | 9,689 | 9,689 |
| - | 56,338 | 56,338 |
| (430,235) | 56,338 | (373,897) |
| 504,308 | - | 504,308 |
| 15,207 | - | 15,207 |
| 391,865 | - | 391,865 |
| 13,469 | - | 13,469 |
| 809 | - | 809 |
| 150,000 | - | 150,000 |
| 23,811 | - | 23,811 |
| (5,565) | 5,565 | - |
| 1,093,904 | 5,565 | 1,099,469 |
| 663,669 | 61,903 | 725,572 |
| 88,713 | 146,542 | 235,255 |
| \$ 752,382 | 208,445 | 960,827 |
| \$ 21,682 | - | 21,682 |
| 49,959 | - | 49,959 |
| 13,099 | 254,900 | 267,999 |
| 530,076 | - | 530,076 |
| 137,566 | (46,455) | 91,111 |
| \$ 752,382 | 208,445 | 960,827 |

CITY OF REINBECK
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

| | General | Special Revenue | | Debt Service |
|--|------------|-----------------|-------------------------|--------------|
| | | Road Use Tax | Tax Increment Financing | |
| Receipts: | | | | |
| Property tax | \$ 401,668 | - | - | 15,100 |
| Tax increment financing | - | - | 391,865 | - |
| Other city tax | 3,690 | - | - | 106 |
| Intergovernmental | 59,208 | 173,027 | - | - |
| Licenses and permits | 3,454 | - | - | - |
| Charges for service | 75,463 | - | - | - |
| Use of money and property | 11,679 | - | - | - |
| Special assessments | 1,774 | - | - | - |
| Miscellaneous | 36,099 | - | 84,500 | - |
| Total receipts | 593,035 | 173,027 | 476,365 | 15,206 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 133,843 | - | - | - |
| Public works | 41,257 | 148,788 | - | - |
| Health and social services | 2,776 | - | - | - |
| Culture and recreation | 292,347 | - | - | - |
| Community and economic and development | 30,878 | - | - | - |
| General government | 105,970 | - | - | - |
| Debt service | 151,561 | - | 80,400 | 139,300 |
| Capital projects | - | - | - | - |
| Total disbursements | 758,632 | 148,788 | 80,400 | 139,300 |
| Excess (deficiency) of receipts over (under) disbursements | (165,597) | 24,239 | 395,965 | (124,094) |
| Other financing sources (uses): | | | | |
| Loan proceeds | 150,000 | - | - | - |
| Operating transfers in | 19,258 | - | - | 136,450 |
| Operating transfers out | - | - | (252,600) | - |
| Total other financing sources (uses) | 169,258 | - | (252,600) | 136,450 |
| Change in cash balances | 3,661 | 24,239 | 143,365 | 12,356 |
| Cash balances beginning of year | 133,905 | (2,557) | (93,406) | 743 |
| Cash balances end of year | \$ 137,566 | 21,682 | 49,959 | 13,099 |

Cash Basis Fund Balances

| | | | | |
|--------------------------------|------------|--------|--------|--------|
| Restricted for: | | | | |
| Streets | \$ - | 21,682 | - | - |
| Urban renewal purposes | - | - | 49,959 | - |
| Debt service | - | - | - | 13,099 |
| Other purposes | - | - | - | - |
| Assigned for: | | | | |
| Library | 40,000 | - | - | - |
| Unassigned | 97,566 | - | - | - |
| Total cash basis fund balances | \$ 137,566 | 21,682 | 49,959 | 13,099 |

See notes to financial statements.

| Nonmajor | Total |
|----------|-----------|
| 98,664 | 515,432 |
| - | 391,865 |
| 912 | 4,708 |
| 11,382 | 243,617 |
| - | 3,454 |
| - | 75,463 |
| - | 11,679 |
| 1,441 | 3,215 |
| 462,006 | 582,605 |
| 574,405 | 1,832,038 |

| | |
|---------|-----------|
| 29,559 | 163,402 |
| 13,482 | 203,527 |
| - | 2,776 |
| 51,842 | 344,189 |
| 2,665 | 33,543 |
| 25,986 | 131,956 |
| - | 371,261 |
| 62,150 | 62,150 |
| 185,684 | 1,312,804 |

| | |
|---------|---------|
| 388,721 | 519,234 |
|---------|---------|

| | |
|----------|-----------|
| - | 150,000 |
| 116,150 | 271,858 |
| (24,823) | (277,423) |
| 91,327 | 144,435 |
| 480,048 | 663,669 |
| 50,028 | 88,713 |
| 530,076 | 752,382 |

| | |
|---------|---------|
| - | 21,682 |
| - | 49,959 |
| - | 13,099 |
| 530,076 | 530,076 |
| - | 40,000 |
| - | 97,566 |
| 530,076 | 752,382 |

CITY OF REINBECK
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2015

| | Enterprise | | | | | Total |
|---|------------|-----------|----------------|-------------------------|----------|-----------|
| | Water | Sewer | Storm Sewer | Telecom- munications | Nonmajor | |
| Operating receipts: | | | | | | |
| Charges for service | \$ 203,158 | 434,012 | 25,305 | 759,852 | 82,626 | 1,504,953 |
| Total operating receipts | 203,158 | 434,012 | 25,305 | 759,852 | 82,626 | 1,504,953 |
| Operating disbursements: | | | | | | |
| Business type activities | 205,430 | 196,908 | 7,831 | 559,802 | 68,770 | 1,038,741 |
| Total operating disbursements | 205,430 | 196,908 | 7,831 | 559,802 | 68,770 | 1,038,741 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | (2,272) | 237,104 | 17,474 | 200,050 | 13,856 | 466,212 |
| Non-operating disbursements: | | | | | | |
| Debt service | (16,940) | (192,484) | - | (200,450) | - | (409,874) |
| Total non-operating disbursements | (16,940) | (192,484) | - | (200,450) | - | (409,874) |
| Excess (deficiency) of receipts over (under) disbursements | (19,212) | 44,620 | 17,474 | (400) | 13,856 | 56,338 |
| Other financing sources: | | | | | | |
| Operating transfers in | - | 5,565 | - | - | - | 5,565 |
| Total other financing sources | - | 5,565 | - | - | - | 5,565 |
| Change in cash balances | (19,212) | 50,185 | 17,474 | (400) | 13,856 | 61,903 |
| Cash balances beginning of year | 110,359 | (29,447) | 42,112 | 23,518 | - | 146,542 |
| Cash balances end of year | \$ 91,147 | 20,738 | 59,586 | 23,118 | 13,856 | 208,445 |
| Cash Basis Fund Balances | | | | | | |
| Restricted for debt service | \$ 37,970 | 184,080 | - | 32,850 | - | 254,900 |
| Unrestricted | 53,177 | (163,342) | 59,586 | (9,732) | 13,856 | (46,455) |
| Total cash basis fund balances | \$ 91,147 | 20,738 | 59,586 | 23,118 | 13,856 | 208,445 |

CITY OF REINBECK

Notes to Financial Statements

June 30, 2015

Note 1 – Summary of Significant Accounting Policies

The City of Reinbeck is a political subdivision of the State of Iowa located in Grundy County. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage, cable TV, internet and telephone utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Reinbeck has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Reinbeck has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Grundy County Assessor's Conference Board, City Assessor's Conference Board, Grundy County Emergency Management Commission, Grundy County Landfill Commission, and Grundy County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Telecommunications Fund accounts for the operation and maintenance of the City's cable television, internet and telephone systems.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal law or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceed the amounts budgeted in the debt service function.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 3 – Pension Plan (continued)

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$31,106.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 3 – Pension Plan (continued)

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$175,270. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.004331 percent, which was a decrease of 0.000674 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,118, \$9,640 and \$66,843, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00 percent |
| Salary increases (effective June 30, 2014) | 4.00 percent, average, including inflation |
| Investment rate of return (effective June 30, 1996) | 7.50 percent per annum, compounded annually, net of pension plan investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 3 – Pension Plan (continued)

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23 % | 6.31 |
| Non Us Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | <u>100 %</u> | |

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

| | <u>1% Decrease (6.5%)</u> | <u>Discount Rate (7.5%)</u> | <u>1% Increase (8.5%)</u> |
|---|-----------------------------------|-------------------------------------|-----------------------------------|
| City's proportionate share of the net pension liability | \$ 331,167 | \$ 175,270 | \$ 43,676 |

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Note 4 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,449 during the year ended June 30, 2015.

CITY OF REINBECK

Notes to Financial Statements (Continued)

June 30, 2015

Note 5 – Bonds and Notes Payable

Annual debt service requirements to maturity for a general obligation note, a bank loan, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

| Year Ending June 30, | Sewer Revenue | | Water Revenue | | Telecommunications | | Urban Renewal | |
|----------------------------|-------------------|----------|-------------------|----------|--------------------|----------|---------------------|----------|
| | Capital Loan Note | | Capital Loan Note | | Capital Loan Note | | Increment Financing | |
| | Principal | Interest | Principal | Interest | Principal | Interest | Revenue Bonds | Interest |
| 2016 | \$ 149,000 | 29,803 | 14,000 | 3,220 | 30,000 | 2,850 | 95,000 | 24,500 |
| 2017 | 153,000 | 27,195 | 14,000 | 2,975 | 30,000 | 1,950 | 95,000 | 22,125 |
| 2018 | 158,000 | 24,518 | 14,000 | 2,730 | 35,000 | 1,050 | 95,000 | 19,750 |
| 2019 | 162,000 | 21,753 | 15,000 | 2,485 | - | - | 150,000 | 17,375 |
| 2020 | 167,000 | 18,918 | 15,000 | 2,223 | - | - | 150,000 | 13,625 |
| 2021-2025 | 914,000 | 48,948 | 78,000 | 7,123 | - | - | 395,000 | 18,750 |
| 2026-2030 | - | - | 34,000 | 893 | - | - | - | - |
| Total | \$ 1,703,000 | 171,135 | 184,000 | 21,649 | 95,000 | 5,850 | 980,000 | 116,125 |

| Year Ending June 30, | Telecommunications | | Fire Truck | | Total | |
|----------------------------|-------------------------|----------|------------|----------|-----------|----------|
| | General Obligation Note | | Bank Loan | | | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | \$ 80,000 | 6,125 | 15,000 | - | 383,000 | 66,498 |
| 2017 | 80,000 | 4,125 | 15,000 | - | 387,000 | 58,370 |
| 2018 | 85,000 | 2,125 | 15,000 | - | 402,000 | 50,173 |
| 2019 | - | - | - | - | 327,000 | 41,613 |
| 2020 | - | - | - | - | 332,000 | 34,766 |
| 2021-2025 | - | - | - | - | 1,387,000 | 74,821 |
| 2026-2030 | - | - | - | - | 34,000 | 893 |
| Total | \$ 245,000 | 12,375 | 45,000 | - | 3,252,000 | 327,134 |

Revenue Notes

The City has pledged future sewer and water customer receipts, net of specified operating disbursements, to repay \$1,703,000 of a sewer revenue note, \$184,000 of a water revenue note and \$95,000 of a telecommunications revenue note. Proceeds from the notes provided a new sanitary sewer system and upgrades to the water system and the telecommunication system. The notes are payable solely from customer net receipts and are payable through 2027.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 5 – Bonds and Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing (TIF) revenue bonds were issued for construction of a new housing development and construction of a new assisted living facility. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$1,096,125, payable through June 2023. For the current year, interest paid and total TIF receipts were \$24,300 and \$391,865, respectively.

Operating Line of Credit

The City has entered into an agreement with Lincoln Savings Bank for an operating line of credit note. The note is for a maximum amount of \$75,000, has an interest rate of 3.25% and a maturity date of June 12, 2016. At June 30, 2015 the balance on the operating line of credit was \$75,000.

Note 6 – Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 6 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$230 for single coverage and \$1,217 for family coverage. For the year ended June 30, 2015, the City contributed \$110,652 and plan members eligible for benefits contributed \$12,295 to the plan.

Note 7 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2015 was \$3,254, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2015.

CITY OF REINBECK
Notes to Financial Statements (Continued)
June 30, 2015

Note 8 – Risk Management

The City of Reinbeck is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---------------------|-------------------------|-------------------|
| Debt Service | Special Revenue: | |
| | Tax Increment Financing | \$ 136,450 |
| General | Special Revenue: | |
| | Special Assessments | 1,441 |
| | Emergency Services | 12,000 |
| | FEMA | 5,817 |
| | | <u>19,258</u> |
| Capital Projects | Special Revenue: | |
| | Tax Increment Financing | 62,150 |
| Special Revenue: | Special Revenue: | |
| Low-Moderate Income | Tax Increment Financing | 54,000 |
| Enterprise: | Special Revenue: | |
| Sewer | FEMA | 5,565 |
| | | <u>5,565</u> |
| Total | | <u>\$ 277,423</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 10 – Deficit Balances

The Sewer and Telecommunications Fund unrestricted fund balances were in a deficit position at June 30, 2015. The deficit balances were a result of restricting fund balances for future debt payments. The City is increasing user charges to eliminate these deficits.

Note 11 – Date of Management Evaluation

The City has evaluated subsequent events through September 25, 2015, the date which financial statements were available to be issued.

Other Information

CITY OF REINBECK
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances-Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Other Information
Year ended June 30, 2015

| | Governmental Funds Actual | Proprietary Funds Actual |
|---|---------------------------------|--------------------------------|
| Receipts: | | |
| Property tax | \$ 515,432 | - |
| Tax increment financing | 391,865 | - |
| Other city tax | 4,708 | - |
| Intergovernmental | 243,617 | - |
| Licenses and permits | 3,454 | - |
| Charges for service | 75,463 | 1,504,953 |
| Use of money and property | 11,679 | - |
| Special assessments | 3,215 | - |
| Miscellaneous | 582,605 | - |
| Total receipts | <u>1,832,038</u> | <u>1,504,953</u> |
| Disbursements: | | |
| Public safety | 163,402 | - |
| Public works | 203,527 | - |
| Health and social services | 2,776 | - |
| Culture and recreation | 344,189 | - |
| Community and economic development | 33,543 | - |
| General government | 131,956 | - |
| Debt service | 371,261 | - |
| Capital projects | 62,150 | - |
| Business type activities | - | 1,448,615 |
| Total disbursements | <u>1,312,804</u> | <u>1,448,615</u> |
| Excess of receipts over disbursements | 519,234 | 56,338 |
| Other financing sources (uses), net | <u>144,435</u> | <u>5,565</u> |
| Excess of receipts and other financing sources over disbursements and other financing uses | 663,669 | 61,903 |
| Balances beginning of year | <u>88,713</u> | <u>146,542</u> |
| Balances end of year | <u><u>\$ 752,382</u></u> | <u><u>208,445</u></u> |

| Total | Budgeted Amounts | | Final to |
|-----------|------------------|-----------|-------------------|
| | Original | Final | Total Variance |
| 515,432 | 499,193 | 499,193 | 16,239 |
| 391,865 | 383,908 | 383,908 | 7,957 |
| 4,708 | 14,268 | 14,268 | (9,560) |
| 243,617 | 214,755 | 226,137 | 17,480 |
| 3,454 | 5,150 | 5,150 | (1,696) |
| 1,580,416 | 1,705,350 | 1,705,350 | (124,934) |
| 11,679 | 16,085 | 16,085 | (4,406) |
| 3,215 | 2,500 | 2,500 | 715 |
| 582,605 | 21,400 | 477,622 | 104,983 |
| 3,336,991 | 2,862,609 | 3,330,213 | 6,778 |
| 163,402 | 269,520 | 269,520 | (106,118) |
| 203,527 | 272,716 | 253,422 | (49,895) |
| 2,776 | 2,920 | 3,650 | (874) |
| 344,189 | 312,928 | 359,318 | (15,129) |
| 33,543 | 14,100 | 110,250 | (76,707) |
| 131,956 | 127,130 | 144,100 | (12,144) |
| 371,261 | 162,738 | 291,109 | 80,152 |
| 62,150 | 4,750 | 62,151 | (1) |
| 1,448,615 | 1,282,134 | 1,500,229 | (51,614) |
| 2,761,419 | 2,448,936 | 2,993,749 | (232,330) |
| 575,572 | 413,673 | 336,464 | 239,108 |
| 150,000 | - | (190,164) | 340,164 |
| 725,572 | 413,673 | 146,300 | 579,272 |
| 235,255 | 925,168 | 925,168 | (689,913) |
| 960,827 | 1,338,841 | 1,071,468 | (110,641) |

CITY OF REINBECK

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$544,813. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF REINBECK

Schedule of the City's Proportionate Share of the Net Pension Liability Iowa Public Employees' Retirement System Last Fiscal Year* Other Information

| | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability | 0.004331 % |
| City's proportionate share of the net pension liability | \$ 175,270 |
| City's covered-employee payroll | \$ 289,183 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 60.61 % |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61 % |

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF REINBECK
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
Other Information

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 31,106 | 25,824 | 28,066 | 27,061 |
| Contributions in relation to the statutorily required contribution | <u>(31,106)</u> | <u>(25,824)</u> | <u>(28,066)</u> | <u>(27,061)</u> |
| Contribution deficiency (excess) | \$ <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City's covered-employee payroll | \$ 348,330 | 289,182 | 323,714 | 335,323 |
| Contributions as a percentage of covered-employee payroll | 8.93% | 8.93% | 8.67% | 8.07% |

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 21,009 | 21,172 | 19,248 | 18,621 | 18,652 | 17,651 |
| <u>(21,009)</u> | <u>(21,172)</u> | <u>(19,248)</u> | <u>(18,621)</u> | <u>(18,652)</u> | <u>(17,651)</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 302,288 | 318,376 | 303,120 | 307,785 | 324,383 | 306,974 |
| 6.95% | 6.65% | 6.35% | 6.05% | 5.75% | 5.75% |

CITY OF REINBECK
Notes to Other Information – Pension Liability
Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 30 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years.

CITY OF REINBECK
Notes to Other Information – Pension Liability (Continued)
Year ended June 30, 2015

It also included in the calculation of the UAL amortization payments for one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

CITY OF REINBECK
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2015

| | Special Revenue | | |
|---|------------------------|----------------------|-----------------------|
| | Special Assessments | Employee Benefits | Emergency Services |
| Receipts: | | | |
| Property tax | \$ - | 86,967 | 11,697 |
| Other city tax | - | 804 | 108 |
| Intergovernmental | - | - | - |
| Special assessments | 1,441 | - | - |
| Miscellaneous | - | - | - |
| Total receipts | 1,441 | 87,771 | 11,805 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | - | 29,559 | - |
| Public works | - | 13,482 | - |
| Culture and recreation | - | 51,842 | - |
| Community and economic development | - | 2,665 | - |
| General government | - | 25,986 | - |
| Capital projects | - | - | - |
| Total disbursements | - | 123,534 | - |
| Excess (deficiency) of receipts over (under) disbursements | 1,441 | (35,763) | 11,805 |
| Other financing sources (uses): | | | |
| Operating transfers in | - | - | - |
| Operating transfers out | (1,441) | - | (12,000) |
| Total other financing sources (uses) | (1,441) | - | (12,000) |
| Change in cash balance | - | (35,763) | (195) |
| Cash balances beginning of year | - | 48,986 | 1,042 |
| Cash balances end of year | \$ - | 13,223 | 847 |
| Cash Basis Fund Balances | | | |
| Restricted for other purposes | \$ - | 13,223 | 847 |
| Total cash basis fund balances | \$ - | 13,223 | 847 |

| Library | Park | Ambulance | Low-Moderate Income | FEMA | Capital Projects | Total |
|---------|---------|-----------|---------------------|----------|------------------|----------|
| - | - | - | - | - | - | 98,664 |
| - | - | - | - | - | - | 912 |
| - | - | - | - | 11,382 | - | 11,382 |
| - | - | - | - | - | - | 1,441 |
| 181,530 | 128,420 | 146,122 | 5,834 | - | 100 | 462,006 |
| 181,530 | 128,420 | 146,122 | 5,834 | 11,382 | 100 | 574,405 |
| | | | | | | |
| - | - | - | - | - | - | 29,559 |
| - | - | - | - | - | - | 13,482 |
| - | - | - | - | - | - | 51,842 |
| - | - | - | - | - | - | 2,665 |
| - | - | - | - | - | - | 25,986 |
| - | - | - | - | - | 62,150 | 62,150 |
| - | - | - | - | - | 62,150 | 185,684 |
| | | | | | | |
| 181,530 | 128,420 | 146,122 | 5,834 | 11,382 | (62,050) | 388,721 |
| | | | | | | |
| - | - | - | 54,000 | - | 62,150 | 116,150 |
| - | - | - | - | (11,382) | - | (24,823) |
| - | - | - | 54,000 | (11,382) | 62,150 | 91,327 |
| 181,530 | 128,420 | 146,122 | 59,834 | - | 100 | 480,048 |
| - | - | - | - | - | - | 50,028 |
| 181,530 | 128,420 | 146,122 | 59,834 | - | 100 | 530,076 |
| | | | | | | |
| 181,530 | 128,420 | 146,122 | 59,834 | - | 100 | 530,076 |
| 181,530 | 128,420 | 146,122 | 59,834 | - | 100 | 530,076 |

CITY OF REINBECK
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2015

| | Enterprise | | |
|---------------------------------|-------------------|---------|--------|
| | Fitness Center | Garbage | Total |
| Operating receipts: | | | |
| Charges for service | \$ 7,509 | 75,117 | 82,626 |
| Total operating receipts | 7,509 | 75,117 | 82,626 |
| Operating disbursements: | | | |
| Business type activities | 3,342 | 65,428 | 68,770 |
| Total operating disbursements | 3,342 | 65,428 | 68,770 |
| Net change in cash balances | 4,167 | 9,689 | 13,856 |
| Cash balances beginning of year | - | - | - |
| Cash balances end of year | \$ 4,167 | 9,689 | 13,856 |
| Cash Basis Fund Balances | | | |
| Unrestricted | \$ 4,167 | 9,689 | 13,856 |
| Total cash basis fund balances | \$ 4,167 | 9,689 | 13,856 |

CITY OF REINBECK
Schedule of Indebtedness
Year ended June 30, 2015

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---------------|----------------|--------------------------|
| General obligation notes: | | | |
| Daycare center | June 1, 2011 | 4.00 % | \$ 300,000 |
| Telecommunications | Sept 16, 2013 | 2.25 | 400,000 |
| Urban renewal tax increment financing (TIF) revenue bonds | | | |
| | Sept 16, 2013 | 2.25 % | \$ 1,175,000 |
| Revenue notes: | | | |
| Sewer improvement | Sept 13, 2004 | 1.75 % * | \$ 2,990,000 |
| Water improvement | Oct 26, 2012 | 1.75 * | 209,349 |
| Telecommunications improvement | Sept 16, 2013 | 3.00 | 155,000 |
| Bank loans: | | | |
| Street sweeper | Nov 30, 2011 | 4.50 % | \$ 45,000 |
| Fire truck | Feb 1, 2009 | 0.00 | 150,000 |
| Operating line of credit | July 15, 2014 | 4.00 | 300,000 |
| Operating line of credit | June 12, 2015 | 3.25 | 75,000 |

* The agreement also requires the City to pay a .25% servicing fee on the outstanding principal balance.

| | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|----|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|-------------------------------|
| \$ | 75,000 | - | 75,000 | - | 5,400 | - |
| | 320,000 | - | 75,000 | 245,000 | 7,200 | - |
| \$ | 395,000 | - | 150,000 | 245,000 | 12,600 | - |
| | | | | | | |
| \$ | 1,080,000 | - | 100,000 | 980,000 | 24,300 | - |
| | | | | | | |
| \$ | 1,847,000 | - | 144,000 | 1,703,000 | 43,866 | - |
| | 197,000 | - | 13,000 | 184,000 | 3,448 | - |
| | 125,000 | - | 30,000 | 95,000 | 3,750 | - |
| \$ | 2,169,000 | - | 187,000 | 1,982,000 | 51,064 | - |
| | | | | | | |
| \$ | 15,692 | - | 15,692 | - | 647 | - |
| | 60,000 | - | 15,000 | 45,000 | - | - |
| | - | 150,000 | 150,000 | - | 1,562 | - |
| | - | 75,000 | - | 75,000 | - | - |
| \$ | 75,692 | 225,000 | 180,692 | 120,000 | 2,209 | - |

CITY OF REINBECK
Bond and Note Maturities
June 30, 2015

| Year Ending June 30, | General Obligation Note | | Urban Renewal Tax | | Bank Loans | | | |
|----------------------------|-------------------------|-------------------|---------------------|-------------------|--------------------|------------------|--------------------------|------------------|
| | Telecommunications | | Increment Financing | | Fire Truck | | Operating Line of Credit | |
| | Issued Sept 16, 2013 | | Revenue Bonds | | Issued Feb 1, 2009 | | Issued June 12, 2015 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2016 | 2.25 % | \$ 80,000 | 2.25 % | \$ 95,000 | - % | \$ 15,000 | 3.25 % | \$ 75,000 |
| 2017 | 2.25 | 80,000 | 2.25 | 95,000 | - | 15,000 | - | - |
| 2018 | 2.25 | 85,000 | 2.25 | 95,000 | - | 15,000 | - | - |
| 2019 | - | - | 2.25 | 150,000 | - | - | - | - |
| 2020 | - | - | 2.25 | 150,000 | - | - | - | - |
| 2021 | - | - | 2.25 | 150,000 | - | - | - | - |
| 2022 | - | - | 2.25 | 135,000 | - | - | - | - |
| 2023 | - | - | 2.25 | 110,000 | - | - | - | - |
| 2024 | - | - | - | - | - | - | - | - |
| 2025 | - | - | - | - | - | - | - | - |
| 2026 | - | - | - | - | - | - | - | - |
| 2027 | - | - | - | - | - | - | - | - |
| Total | | <u>\$ 245,000</u> | | <u>\$ 980,000</u> | | <u>\$ 45,000</u> | | <u>\$ 75,000</u> |

| Year Ending June 30, | Revenue Bonds | | | | | | |
|----------------------------|----------------------|-----------|---------------------|---------|----------------------|--------|-----------|
| | Sewer | | Water | | Telecommunications | | Total |
| | Issued Sept 13, 2004 | | Issued Oct 26, 2012 | | Issued Sept 16, 2013 | | |
| | Interest | | Interest | | Interest | | |
| Rate | Amount | Rate | Amount | Rate | Amount | | |
| 2016 | 1.75 % \$ | 149,000 | 1.75 % \$ | 14,000 | 3.00 % \$ | 30,000 | 458,000 |
| 2017 | 1.75 | 153,000 | 1.75 | 14,000 | 3.00 | 30,000 | 387,000 |
| 2018 | 1.75 | 158,000 | 1.75 | 14,000 | 3.00 | 35,000 | 402,000 |
| 2019 | 1.75 | 162,000 | 1.75 | 15,000 | - | - | 327,000 |
| 2020 | 1.75 | 167,000 | 1.75 | 15,000 | - | - | 332,000 |
| 2021 | 1.75 | 172,000 | 1.75 | 15,000 | - | - | 337,000 |
| 2022 | 1.75 | 177,000 | 1.75 | 15,000 | - | - | 327,000 |
| 2023 | 1.75 | 183,000 | 1.75 | 16,000 | - | - | 309,000 |
| 2024 | 1.75 | 188,000 | 1.75 | 16,000 | - | - | 204,000 |
| 2025 | 1.75 | 194,000 | 1.75 | 16,000 | - | - | 210,000 |
| 2026 | - | - | 1.75 | 17,000 | - | - | 17,000 |
| 2027 | - | - | 1.75 | 17,000 | - | - | 17,000 |
| Total | \$ | 1,703,000 | \$ | 184,000 | \$ | 95,000 | 3,327,000 |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Reinbeck, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Reinbeck's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Reinbeck's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Reinbeck's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Reinbeck's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-C-15 to be a significant deficiency.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Reinbeck's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Reinbeck's Responses to Findings

The City of Reinbeck's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Reinbeck's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Reinbeck during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 25, 2015

CITY OF REINBECK
Schedule of Findings
Year ended June 30, 2015

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF REINBECK
Schedule of Findings
Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting.
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and reports.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

II-B-15 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year. A reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collection and delinquent accounts for each billing period. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – We will begin performing utility reconciliations immediately

Conclusion – Response accepted.

CITY OF REINBECK

Schedule of Findings

Year ended June 30, 2015

II-C-15 Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of the objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

The City does not have a written disaster recovery plan which addresses the following items:

- (1) Identification of critical applications
- (2) Identification of staff responsibilities
- (3) Identification of steps for recovery of any operating systems for City operations.
- (4) Identification of computer equipment needed for temporary processing.
- (5) Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the location(s).
- (6) A requirement to keep a copy of the disaster recovery plan off site.
- (7) A requirement to keep system backups current and off site.
- (8) An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
- (9) An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
- (10) A requirement that a copy of all user documentation and policy and procedures manuals is located off site.
- (11) A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- (12) Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation – A written disaster recovery plan should be developed and tested periodically.

Response – We will work on developing a written disaster recovery plan.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting:

III-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This occurred due to the repayment of an operating line of credit note. We will monitor this and amend the budget in the future before it is exceeded.

Conclusion – Response accepted.

CITY OF REINBECK
Schedule of Findings
Year ended June 30, 2015

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-B-15 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.

III-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| <u>Name, Title, and Business Connection</u> | <u>Transaction Description</u> | <u>Amount</u> |
|--|--------------------------------|-----------------|
| Brian Bunz, Council Member. owner of Reinbeck Auto Service | Services | <u>\$ 1,192</u> |
| Julie Wilkerson, City Administrator, spouse is owner of Reinbeck Hardware | Services | <u>\$ 3,257</u> |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Reinbeck Auto Service do not appear to represent a conflict of interest since the total transactions were less than \$1,500 during the fiscal year. The transactions with Reinbeck Hardware may represent a conflict of interest as defined in Chapter 331.342 of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The transactions with Reinbeck Hardware represent purchases for supplies and routine repairs and maintenance on city equipment. As this is a locally owned business and the City attempts to utilize local businesses that provide these services the City does not believe these transactions represent a conflict of interest.

Conclusion – Response accepted.

III-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-15 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Although minutes of the Reinbeck Telecommunications were published, they were not always published within fifteen days. Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council and Reinbeck Telecommunications proceedings to be published within fifteen days of the meeting. Two of the monthly minutes reviewed for Reinbeck Telecommunications were not published within fifteen days.

CITY OF REINBECK
Schedule of Findings
Year ended June 30, 2015

Part III: Other Findings Related to Required Statutory Reporting (continued):

Recommendation – The City should comply with the Code of Iowa and publish Reinbeck Telecommunication's minutes within fifteen days.

Response – We are working with our area paper to ensure that the minutes are published within 15 days.

Conclusion – Response accepted.

III-G-15 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-15 Revenue Notes – Except has follows, no instances of non-compliance with the revenue note resolutions were noted.

The City has a sewer revenue note in the amount of \$1,703,000 at June 30, 2015. The note requires the City to maintain user rates at a level to ensure net receipts are equal to at least 110% of the principal and interest due in that year. Since the City's Enterprise, Sewer Fund unrestricted fund balance is in a deficit position, the City has not maintained sufficient user rates.

Recommendation – The City should adjust user rates or reduce other expenses to ensure net receipts equal at least 110% of the principal and interest due each year.

Response – The City is performing a water/sewer rate study to determine the necessary increase to be in compliance with the revenue bond requirements.

Conclusion – Response accepted.

III-I-15 Financial Condition – At June 30, 2015, the City had deficit balances in the following funds:

| Fund | Amount |
|-----------------------------------|--------------|
| Enterprise: | |
| Sewer (unrestricted) | \$ (163,342) |
| Telecommunications (unrestricted) | (9,732) |

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City is reviewing rate structures that would provide enough funding to eliminate the deficit balances.

Conclusion – Response accepted.

CITY OF REINBECK
Schedule of Findings
Year ended June 30, 2015

Part III: Other Findings Related to Required Statutory Reporting (continued):

- III-J-15 **Tax Increment Financing (TIF)** – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness.

Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposed for current or future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and then divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

During the year the TIF fund paid costs incurred for the Southridge 2nd Addition construction. The debt related to this project was certified as TIF debt, however the disbursements were done to pay the actual costs and not the related debt for these projects.

Recommendation – The City should reimburse the TIF Fund from an allowable fund for these costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – We will investigate this issue and make the necessary adjustments. In the future we will only certify existing TIF debt.

Conclusion – Response accepted.

CITY OF REINBECK

Staff

This audit was performed by:

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